MONDAY CHRONICLES

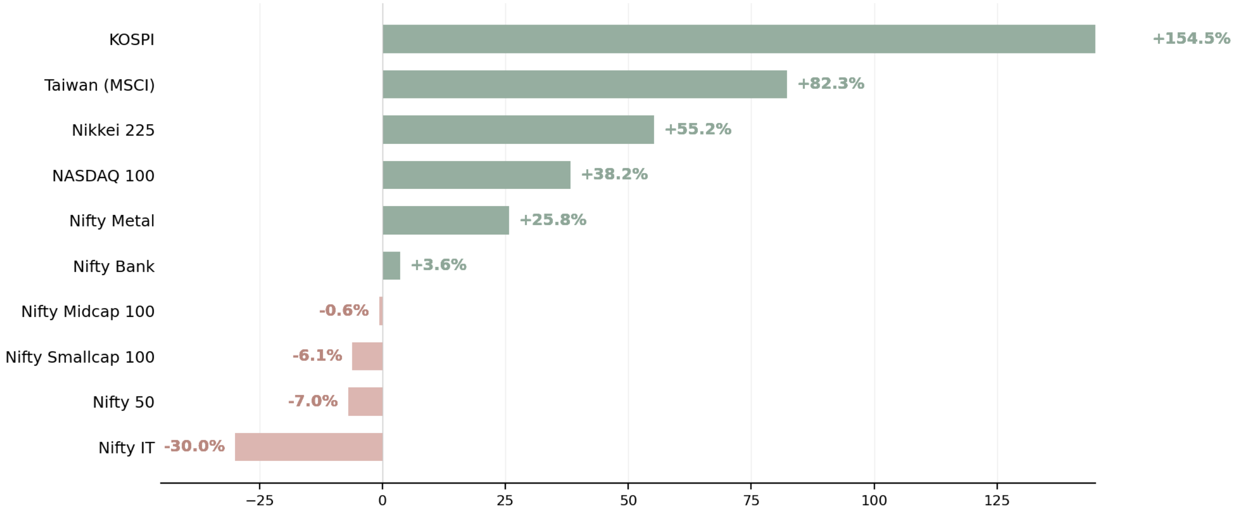
Letter from your Fund Manager | INVASSET LLP | SEBI REG. NO. INP000006907 | 06 May 2026 | Data as of 30 April 2026 close unless otherwise stated

SECTION 1 | MARKETS RECAP

Where the Bull Market Went — and Where It Didn't

Global markets have staged a strong revival from their March lows. Indian markets have shown resilient buying — the Nifty Midcap 100 and Nifty Smallcap 100 are now trading above their pre-war highs. The Midcap is finally on the cusp of a fresh all-time high, its first since September 2024, while the Smallcap and Nifty 50 continue to play catch-up. The leadership of midcaps tells us that capital is rotating into domestic-facing businesses with stronger earnings visibility and lower exposure to foreign-led volatility.

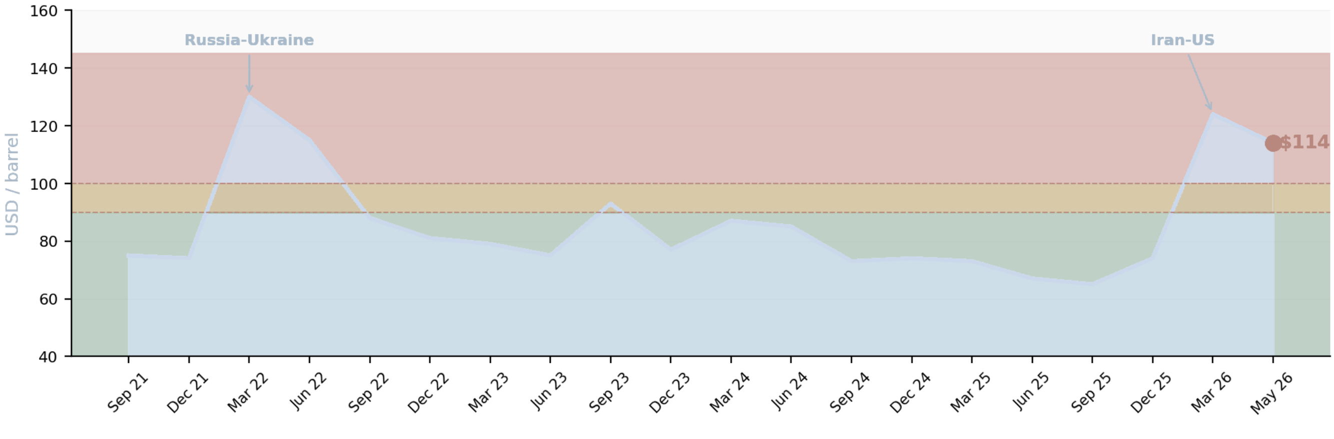
The bigger picture is the divergence between India and the AI-led economies of Asia. Since 30 September 2024, Korea is up +155%, Taiwan +82%, Japan +55%, and the US NASDAQ 100 +38%. The Nifty 50 is down -7%, and Nifty IT — the very sector that should have ridden the AI wave — is down -30%. Within India, Metals (+25.8%) is the only sector delivering meaningful absolute returns. This is a deliberate global re-allocation away from India and into the semiconductor and data-centre value chain.



SECTION 2 | MACRO

Crude Oil — The Single Biggest Swing Factor

Brent's move back above $100 has reopened India's macro-risk channel through CAD, INR and inflation. The Iran-US flare-up took prices from the mid-$70s to a high of $124, and crude is now sustaining around $114. India imports nearly 89% of its crude requirement, so every $10/bbl move adds roughly $15-20 billion to the import bill and feeds directly into the current account, the rupee, and inflation. Sectorally, OMCs, paints, aviation, tyres, and chemicals face direct margin pressure; only upstream names like ONGC and Oil India benefit.

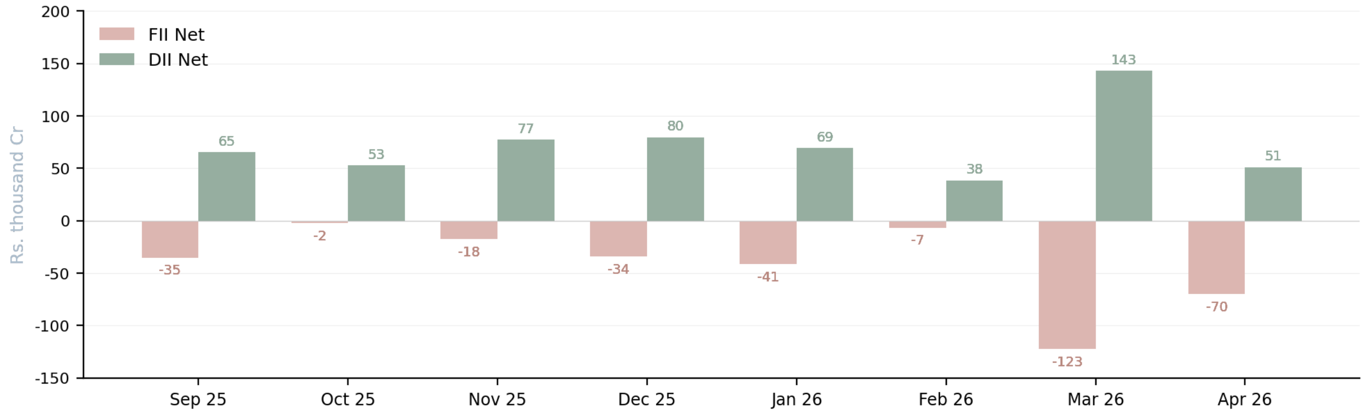


Brent Range	Market Setup	Implication
Below $90	Momentum-friendly	CAD eases, rupee stable, RBI room to ease — bull case intact
$90 - $100	Consolidation	Markets churn sideways, sector rotation continues
Above $100	Structurally negative	Wider CAD, rupee pressure, sticky inflation, restrictive RBI

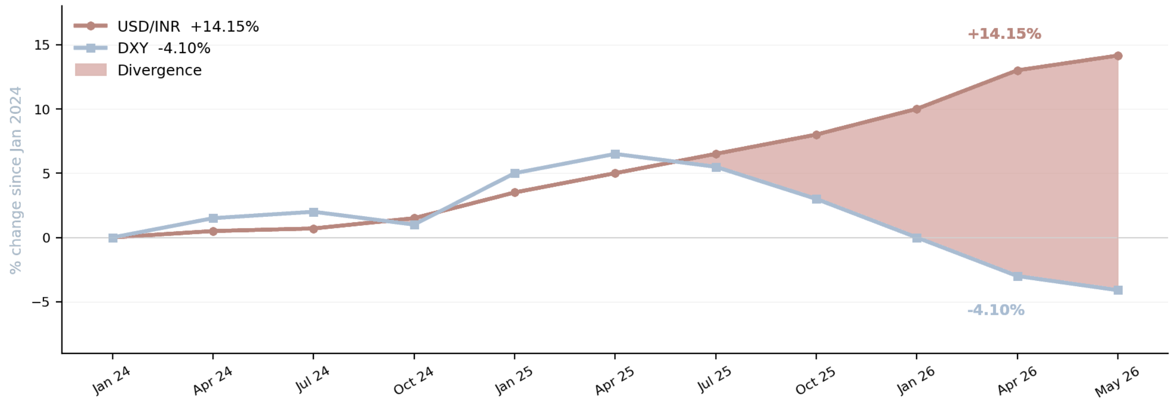
SECTION 3 | FLOWS

FII Outflows, DII Floor — The Defining Theme of 2025-26

The reason Indian markets have not collapsed despite sustained FII selling is the strength of domestic flows. In CY25, FIIs sold a net Rs. 3.06 lakh crore; DIIs absorbed all of it and added Rs. 7.88 lakh crore. The pattern is repeating in 2026 — FII selling of Rs. 2.41 lakh crore YTD met by DII buying of Rs. 3.02 lakh crore. March 2026 alone saw Rs. 1.23 lakh crore of FII selling absorbed by Rs. 1.43 lakh crore of DII buying.



This structural shift — from FII-driven to DII-driven markets — is the most underappreciated change in Indian equities. SIP flows alone now exceed Rs. 26,000 crore per month. The domestic mutual fund industry now owns nearly 18% of NSE-listed market cap — up from under 10% a decade ago — while FII ownership has slipped to its lowest level in over a decade. The other piece of evidence that FII selling is structural — not cyclical — is the rupee. Since January 2024, the USD/INR has depreciated 14.15% while the broader Dollar Index (DXY) has actually fallen 4.10% over the same period.

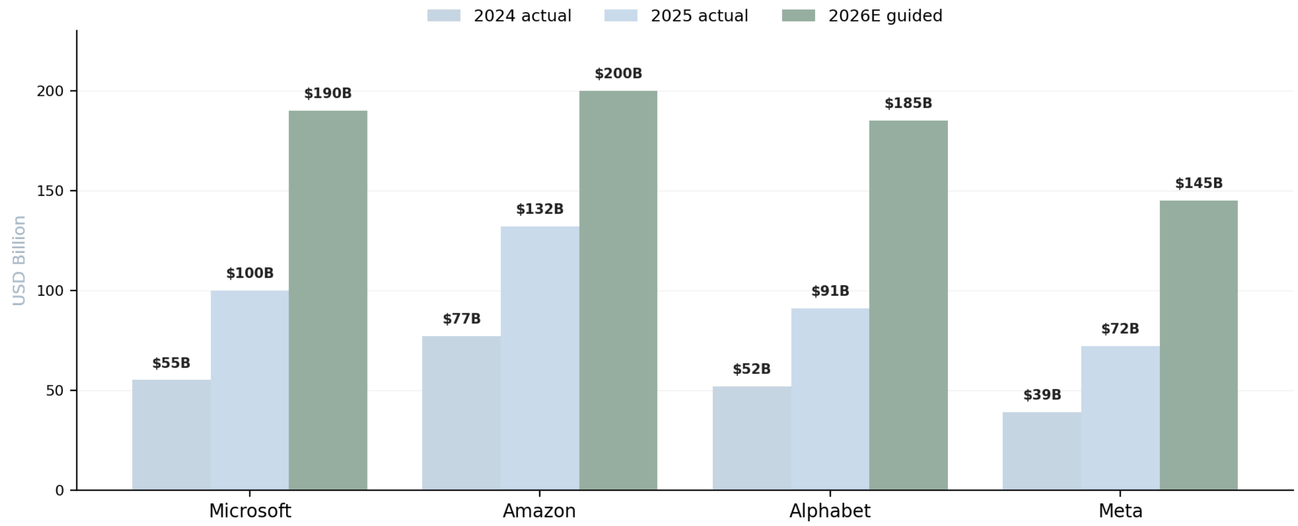


This divergence is unusual and significant: in a normal cycle, INR weakness tracks USD strength globally. The fact that INR is weakening against a weakening dollar indicates the pressure is India-specific — a function of persistent FII outflows, current-account widening, and softer domestic earnings. Crucially, the DXY decline is misleading in isolation. The dollar is weakening primarily against currencies of slowing economies — Eurozone, Japan, UK, Canada — all printing 0-2% real GDP growth. India, by contrast, is still growing at 7%+, the fastest among large economies. The INR's underperformance vs DXY therefore reflects two transient pressures: (i) uncertainty around the pending India-US trade deal, and (ii) the recent crude oil spike past $100. We do not expect USD/INR to sustain this pace of depreciation — the moment the trade deal is signed and a Middle East peace settlement materialises, both pressures unwind simultaneously. That sets up a powerful asymmetric opportunity: with currency-hedge cost removed and valuations already compressed, the same allocators who exited can re-enter at scale. The trigger is binary — once it fires, India re-rates fast.

SECTION 4 | AI & SEMICONDUCTORS

The AI Capex Cycle — Where India Participates, and Where It Does Not

To understand why Korea, Taiwan, Japan and the US are leaving Indian markets behind, you have to start with the cheque size. The four US hyperscalers — Microsoft, Amazon, Alphabet and Meta — are spending unprecedented sums to build out AI compute and data-centre infrastructure. Combined calendar-year capex went from ~$221B in 2024 to ~$410B in 2025, and 2026 guidance now stacks to ~$720B — an 85% jump in 2025 followed by another 75% step-up in 2026. Roughly 75% of the 2026 spend is earmarked specifically for AI servers, GPUs and data centres.



Every dollar of that capex flows down a tightly held value chain. Nvidia designs the AI accelerators; TSMC manufactures them; ASML sells the EUV lithography machines without which TSMC cannot operate. There is no Indian company at any meaningful node of this chain. India can participate via downstream services (IT, BPO) — but those revenue pools are being compressed by the same AI wave that is enriching the hardware names.

ISHARES SEMICONDUCTOR ETF (SOXX) — THE CLEANEST GLOBAL SEMIS PROXY

$230 → $465 | +102%

Sep 2024 to Apr 2026. Indian investors had no liquid domestic equivalent.

The structural pull driving all of this is power. The IEA's 2025 Energy and AI report projects global data-centre electricity consumption to more than double by 2030 — from ~415 TWh in 2024 (~1.5% of global power) to ~945 TWh by 2030 (~3% of global power). The 2030 figure exceeds the entire annual electricity consumption of Germany or Japan. This is where India does have a credible play: not in chips, but in power generation, transmission and the metals that build the grid.

IEA DATA-CENTRE ELECTRICITY DEMAND (ENERGY AND AI REPORT, 2025)

~415 TWh (2024) → ~945 TWh (2030E)

AI is one of the most important drivers of incremental data-centre electricity demand in the IEA Base Case.

The cleanest single barometer of how much AI money is actually flowing is Nvidia's data-centre line — and it has gone parabolic. In Q4 FY26 (quarter ended Jan 25, 2026), Nvidia data-centre revenue hit $62.3B, up 75% YoY; full-year FY26 revenue was $215.9B (+65% YoY); and Q1 FY27 guidance is $78B (another +52% YoY). Networking revenue alone was $11B in Q4, up 3.5x YoY. These are reported revenues and forward guidance — they support the view that hyperscaler AI infrastructure spending is translating directly into chip and infrastructure orders.

NVIDIA FY26 — THE AI REVENUE RECEIPT

$215.9 Bn (FY26) | $62.3 Bn data-centre in Q4 | +75% YoY

Q1 FY27 guidance: $78 Bn (+52% YoY). The hyperscaler capex is real money already shipped.

SECTION 5 | INDIAN IT

Indian IT — From Labour Arbitrage to AI Pressure

Indian IT is structurally impaired. The business model — cost-arbitrage, FTE-billed services, head-count-led growth — was built for a world the AI wave is dismantling in real time. The new era rewards proprietary IP, GPU compute, and product-led economics. Not one Indian IT major owns a foundation model. Not one operates a GPU fleet of any consequence. Not one runs a hyperscaler-grade AI platform.

Meanwhile the very tools their Fortune 500 clients are now deploying — GitHub Copilot, Claude Code, Cursor, Microsoft 365 Copilot — directly cannibalise the billable hours that funded the entire pyramid. Infosys CEO Salil Parekh has now publicly conceded 3-5% AI-driven price deflation on traditional services, with more to come. The CEO of TCS, K. Krithivasan, told staff to 'embrace AI even if it means cannibalising our revenues.' When the people running the two largest IT firms in India underwrite their own topline compression on the earnings call, the bull thesis is finished.

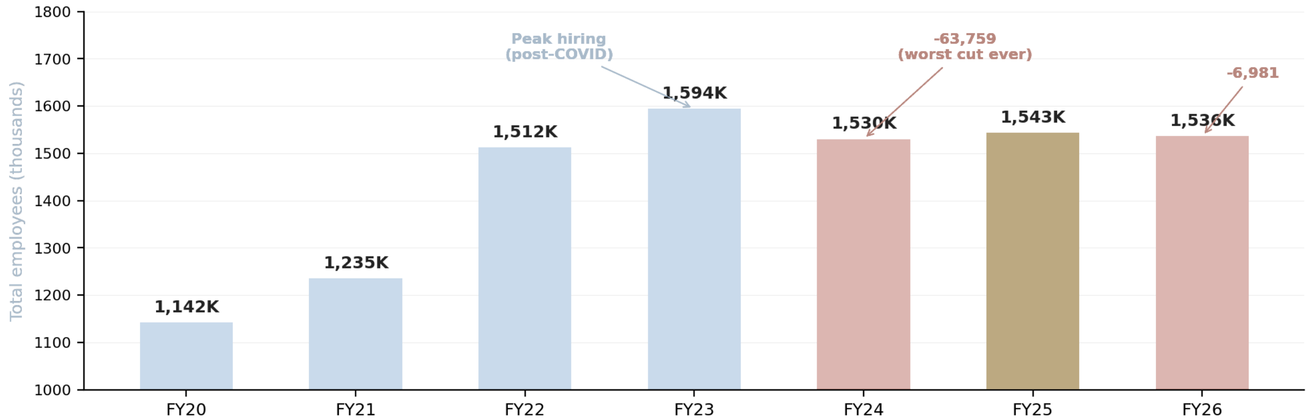
What management does with the cash is the second tell. Hyperscaler AI capex in 2026 is ~$720B — up 77% YoY. Indian IT's response has been to buy back stock — Rs. 1,95,716 Cr returned over the last decade, ~3% of a single year of US AI spend. R&D intensity at the Big-5 has collapsed to 0.29% of revenue, down from 0.52% a decade ago; Microsoft, Alphabet and Meta spend 12-15%. Indian IT spends roughly forty times less of its revenue on innovation than the companies disrupting it. Buybacks at this point are not capital return — they are capitulation dressed up as discipline.

Company	Buyback Years	Total Returned	Notes	Drawdown from ATH
TCS	2017, 18, 20, 22, 23	Rs. 83,000 Cr	Five buybacks; no AI capex equivalent	-46.1%
Infosys	2017, 19, 21, 22-23, 25	Rs. 57,760 Cr	Largest single buyback Rs. 18,000 Cr in 2025	-41.1%
Wipro	2016, 17, 19, 20, 23	Rs. 45,500 Cr	Most frequent buybacker in IT pack	-45.8%
HCL Tech	2017, 18	Rs. 7,500 Cr	Buyback-light vs. peers	-40.4%
Tech Mahindra	2019	Rs. 1,956 Cr	Single buyback	-19.9%
Big-5 Combined	2016 - 2025	Rs. ~1,95,716 Cr (~$23 Bn)	~3% of US hyperscaler 2026 AI capex	Avg -38.7%

Our stance is unambiguous: Indian IT is a value trap, and we are aggressively underweight. Single-digit revenue growth meeting double-digit PE multiples is mispricing. Trailing PEs of 20-25x are pricing in a growth normalisation that the operating data is actively refuting, quarter after quarter. Infosys's FY27 guidance of 1.5-3.5% constant-currency — the lowest range it has ever issued — has a mid-point below US inflation. In real terms, the country's #2 IT firm is guiding to shrinkage.

Indian IT (continued)

The Big-5 combined net headcount went negative for the first time in history in FY26 (-6,981); TCS alone shed 23,460 roles — the largest single-year purge in its history — while losing 1-in-6 of its top 1,800 executives. This is not a soft patch. The market is voting with size. Nifty IT is down ~26% from its Dec-2024 peak while the Nifty 50 is barely off its highs; IT's weight in the Nifty 50 has collapsed to 8.8% — the lowest reading since March 1999, vs a pandemic peak of 16.2%. Every passive India fund is mechanically liquidating the sector.

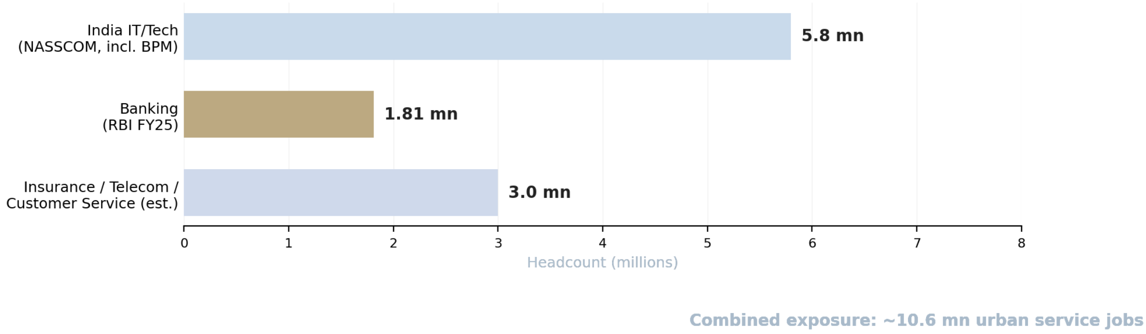


Morgan Stanley downgraded Infosys; Jefferies cut to HOLD with a slashed target explicitly citing AI reshaping the IT services business model. Sell-side consensus has cut FY27 EPS estimates for four consecutive quarters and consensus typically lags ground reality by 6-9 months — the cuts are not over. Accenture booked $5.9 Bn in advanced-AI deals in FY25 alone and has stopped breaking out the AI metric — in its CEO's words, AI is already embedded everywhere. For Accenture, AI is table stakes; for Indian IT, it is still being marketed as a feature. Annualised AI revenue at TCS just crossed $2.3 Bn and Infosys $1.5 Bn — rounding errors against Nvidia's $62 Bn quarterly data-centre line. Layer on the $100,000 per-petition H-1B fee upheld in Dec 2025 and the on-site billing model is permanently impaired. Infosys CEO Salil Parekh is operating past mandatory retirement age; on 1 May 2026, members of the Shibulal promoter family applied to be reclassified out of the promoter group entirely. Until capital allocation pivots from buybacks to GPU capacity and IP creation, the call is unchanged: structurally underweight, conviction high.

SECTION 6 | AI DISRUPTION & CONSUMPTION

AI Disruption and the Urban Consumption Fault Line

The AI disruption story is not contained to IT. It is beginning to pressure parts of every white-collar service India has built its urban middle class around — BPO/KPO, banking back-office, telecom customer service, insurance underwriting, audit support. Naukri's JobSpeak Index for April 2026 shows India IT hiring flat YoY, Telecom -11% YoY and Banking -10% YoY — both in their fourth consecutive month of decline. Global Capability Centres, long the bright spot, are now -4% YoY. The hiring contraction is broad-based, not sector-specific. Globally, Layoffs.fyi tracked 152,922 tech layoffs in 2024 and 122,549 in 2025, with 95,000+ already in 2026 YTD — every major recent tranche explicitly attributed to AI productivity gains. This is a structural reset.



Consumption Read-Across: K-Shaped India

The consumption read-across is already visible. In FMCG, NielsenIQ's Q4 FY26 print shows urban volume growth at just 2.6% vs rural 8.4% — the fifth straight quarter of urban weakness. In real estate, affordable housing sales (homes under Rs. 50 lakh) declined 23% YoY in Q1 2026 (Knight Frank India), while luxury (Rs. 20-50 cr) jumped 80% YoY. Auto sales are flat at the entry level but premium two-wheelers grew 40.7% in FY26 (SIAM). Every consumption category is K-shaping — the bottom is hollowing out, the top is partying. This is exactly what wage compression in the urban service economy looks like before it arrives in the GDP print.

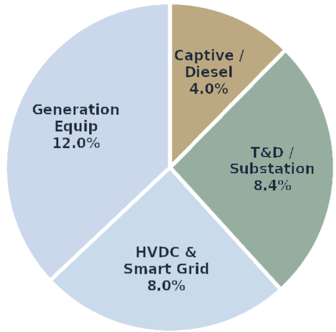
Investment implication: we own zero direct allocation to Auto, FMCG, or Real Estate. Our portfolio is built on Power, Metals, Capital Goods and Market Infrastructure — sectors driven by capex and structural rebalancing, not by discretionary urban consumption. The disinflation of urban services labour is the single most under-reported macro shift in India today.

SECTION 7 | POWER — 32.06%

Portfolio Construction (1/4): Power — Our AI Proxy

Power is our largest sectoral position — and a deliberate proxy for the AI, data-centre and semiconductor capex cycle that India cannot directly access. We cannot own Nvidia, TSMC or ASML inside a domestic PMS mandate; what we can own is the physical infrastructure that AI requires to actually run. Every hyperscaler GPU dollar ultimately becomes a megawatt of demand on a grid somewhere — and India is building that grid faster than at any point in its history.

India's per-capita electricity consumption is still only one-third of the global average, implying a multi-decade structural runway. India's peak power demand hit a record 256.1 GW in May 2024 and is set to cross ~280 GW by FY28 per CEA. The 14th National Electricity Plan (FY23-FY32) envisages Rs. 9.15 lakh crore (~$110 Bn) of T&D capex to support a 458 GW peak by 2032 — the transmission network expanding 33%, from 4.85 lakh ckm to 6.48 lakh ckm. Plus 10 GW of offshore wind, 47 GW of battery storage and 30 GW of pumped hydro — each requiring HVDC corridors, smart inverters, and substation modernisation that our equipment holdings supply directly.



Power allocation: 32.06%

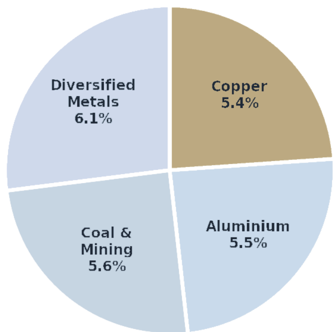
Layered on top of the grid build-out is the data-centre and semiconductor fab demand pool. India's data-centre IT capacity stood at ~1.15 GW at end of 2024 and is projected to reach 1.8-2.1 GW by March 2027 per JLL (a 30%+ CAGR), with a longer pipeline to ~8-9 GW by 2030. The Tata-PSMC fab at Dholera (Rs. 91,000 Cr), Micron OSAT at Sanand (Rs. 22,500 Cr), and the Foxconn-HCL JV at Jewar (Rs. 3,700 Cr) will each demand 100-300 MW of clean, uninterrupted power. **Why equipment, not utilities:** equipment players capture spend regardless of which utility wins the order, while utilities are tariff-capped and capital-intensive. Order books are running 18-24 months across our holdings, factory utilisation is approaching 90%, and operating margins are expanding 200-400 bps YoY.

SECTION 8 | METALS — 22.74%

Portfolio Construction (2/4): Metals — Pick-and-Shovel for Power & AI

Metals is our second-largest position. We believe global commodities are entering a new super-cycle driven by three converging forces: (i) China's stimulus reflation and property-stabilisation push, (ii) a decade of capex starvation in global mining (no major new copper or aluminium mines commissioned in 10+ years), and (iii) reshoring and friend-shoring rewiring global supply chains. LME copper warehouse stocks are near multi-year lows, and BHP/Glencore have flagged a structural copper deficit through 2030.

Copper is one of the key metals for data centres, grid expansion and electrification — every hyperscaler data centre needs 1,000-3,000 tonnes for busbars, cabling and transformers, and AI server racks use 3-5x more copper than traditional racks. Every new GW of grid transmission consumes 6,000-8,000 tonnes of copper. Silver is the conductor of the energy transition — ~10% of global silver demand now goes to solar panels.



Metals allocation: 22.74%

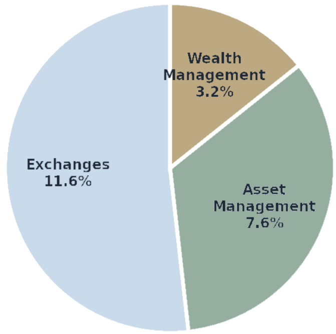
Metals (continued)

Within Aluminium (~5.5%) we own integrated producers benefiting from HVAC, transmission cables and EV lightweighting. Within Copper (~5.4%) we hold a pure-play domestic miner directly leveraged to the AI/grid super-cycle. The Diversified Metals bucket (~6.1%) is a large-cap integrated commodity holding — one stock, multi-commodity exposure across Aluminium, Zinc, Iron, Power, Oil & Gas — with meaningful demerger optionality and ongoing de-leveraging. Coal & Mining (~5.6%) is a captive lignite supplier underwriting both power generation and metal smelting. India tailwinds: a weaker INR translates directly into better realisations for metal exporters; the domestic capex cycle absorbs supply at home; anti-dumping duties have largely insulated Indian producers from Chinese steel dumping. **What we deliberately avoid:** standalone steel (oversupplied, China-dumping risk) and zinc/lead (smaller addressable market).

SECTION 9 | STOCK MARKET COS — 21.52%

Portfolio Construction (3/4): Market Infra — Monetising India's Equity Culture

Stock-market infrastructure is our high-conviction bet on India's structural shift from FD culture to equity culture. Bank deposit growth has slowed to under 10% while credit growth runs above 12% — the gap is being met by household savings rotating away from FDs into capital markets. SIP monthly inflows have crossed Rs. 26,000 Cr and continue to grow at 25%+ YoY — a structural pipeline now larger than annual FII flows. Demat accounts have crossed 17 crore (vs 4 cr in FY20) and are projected to reach 25 crore by 2030. Mutual fund AUM has crossed Rs. 73.73 lakh crore and is on track to hit Rs. 100 lakh crore by 2030. Yet only 5-7% of Indians own equities vs over 50% in the US — the penetration runway is multi-decade. Asset and wealth management are trust-and-relationship businesses; AMCs operate at 60%+ EBITDA margins, exchanges at 50%+. This is the sector AI is least likely to directly disrupt. Within the 21.52% allocation we are most excited about Wealth Management (3.2%) — fastest-growing pocket, AUM expanding 20%+ YoY.

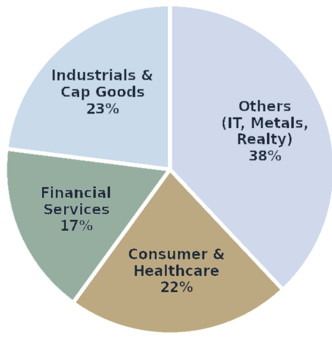


Market Infra: 21.52%

SECTION 10 | SMALLCAP 250 ETF — 23.28%

Portfolio Construction (4/4): ETF — Diversified Smallcap Ballast

Our largest single position is a Nifty Smallcap 250 ETF at 23.28%. Holding this ETF gives us instant exposure to a 250-stock basket spanning sectors and themes we may not own through our high-conviction direct picks — Industrials & Capital Goods (~23%), Financial Services (~17%), Consumer & Healthcare (~22%), and a long tail across IT, Materials, Real Estate and Energy. It is the cleanest way to capture the broad domestic India growth story without taking idiosyncratic smallcap risk. Valuations have normalised: the Nifty Smallcap 250 trailing P/E has compressed from a frothy ~35x at the September 2024 peak to ~26-28x currently — broadly in line with its 5-year average. The Nifty Smallcap 100 is already trading above its pre-war highs, signalling underlying strength. Multiple structural tailwinds: domestic capex revival, manufacturing PLI push, and broader financialisation of household savings — each disproportionately benefits smaller, India-focused, domestic-revenue businesses. Historically, the Nifty Smallcap 250 has delivered ~16-18% CAGR over the last decade, outperforming the Nifty 50 over rolling 5-year windows. Net effect: reduces concentration risk without sacrificing the growth profile.



Smallcap 250 ETF: 23.28%

DII and SIP flows naturally bid smallcaps over multi-year horizons — dedicated smallcap MF schemes alone now manage Rs. 3+ lakh crore in AUM, and incremental flows compound directly into demand for index constituents. In our portfolio logic, this ETF acts as the broad-market satellite alongside concentrated bets in Power (32%), Metals (23%) and Stock Market Infra (21%) — providing diversification ballast and a liquid pool of dry powder that can be rotated into specific stock opportunities.

Warm regards,

Anirudh Garg

Anirudh Garg
Fund Manager, INVASSET LLP
06 May 2026